

**DANZIGER &
MARKHOFF LLP**
Attorneys at Law

*A Limited Liability Partnership
Including a Professional Corporation*

June 29, 2010

Joel Danziger
Harris Markhoff
Ira Langer, P.C.
Joshua S. Levine
Robert B. Danziger
Michael Markhoff
Gregory R. Tapfar
Stanley E. Bulua
Andrew E. Roth
Jay Fenster

Martin P. Daniels

COUNSEL

Irwin N. Rubin
David P. Cesser

ENROLLED ACTUARIES

William Miller
Aileen T. Palazzo
Edward A. Echeverria
Timothy O'Connell

VOICE

914-948-1556

FAX

914-948-1706

EMAIL

dmlawyers@
dmlawyers.com

PERSONAL & CONFIDENTIAL

Mr. Augustino A. Fusco
Clerk/Treasurer
Village of Mamaroneck
123 Mamaroneck Avenue
Mamaroneck, New York 10543

Re: Village of Mamaroneck
Retiree Medical Actuarial Valuation under GASB #45
For the Year Ending May 31, 2010

Dear Augie:

Enclosed are two copies (one bound copy and one unbound copy) of your FYE 2010 GASB #45 actuarial valuation report for your retiree medical program. The unbound report is to facilitate any additional copying you may need.

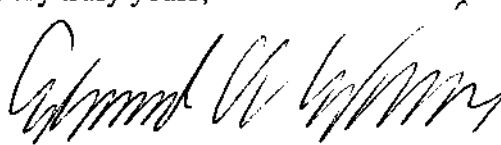
The GASB #45 expense (the Annual OPEB Cost) for FYE 2010 is \$2,880,000. The OPEB Obligation as of May 31, 2010 is \$3,190,000.

Since all salaries come under the General Fund, both the entire Expense and OPEB Obligation are attributed to the General Fund.

Our report is that for a mid-cycle fiscal year which is reflective of FYE 2009 data and premium rates. A full actuarial valuation was performed for FYE 2009, and another full actuarial valuation will be performed for FYE 2011.

Please give me a call if you have any questions.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Edward A. Echeverria', written in a cursive style.

Edward A. Echeverria, FSPA, MAAA, CPC, EA

EAE/jk
Encl.

cc: Domenick Consolo, CPA (w/encl.)

VILLAGE OF MAMARONECK
RETIREE MEDICAL ACTUARIAL
VALUATION
REPORT ON COMPLIANCE WITH
GOVERNMENT ACCOUNTING STANDARDS BOARD
STATEMENT #45
ACCOUNTING AND FINANCIAL REPORTING BY EMPLOYER
FOR POSTEMPLOYMENT
BENEFITS OTHER THAN PENSIONS
FOR THE FISCAL YEAR ENDING MAY 31, 2010

PREPARED ON: June 29, 2010

00540280

DANZIGER &
MARKHOFF LLP
A t t o r n e y s a t L a w

June 29, 2010

Village of Mamaroneck
123 Mamaroneck Avenue
Mamaroneck, New York 10543

Dear Sir/Madam:

This report was prepared to provide management with the accounting for the Government Accounting Standards Board Statement Number 45 – Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (GASB 45) for the Retiree Health Valuation Under GASB #45 for the fiscal year ended May 31, 2010.

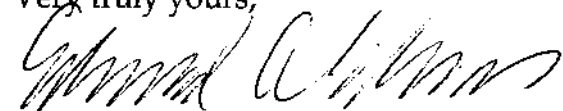
Our results and accompanying disclosures reflect plan provisions in effect for the plan year ended May 31, 2010. The Annual OPEB Cost for the Village for the year is \$2,880,000. For FYE 2010, a mid-cycle valuation was performed on the program, permitted for employers that have a membership (which includes active, terminated and retired employees eligible, or potentially eligible for benefits) of 200 or more.

In conducting the valuation, we relied on information supplied to us by the Village of Mamaroneck. This information included participant data, the terms of the written and unwritten plan, premium rates and other policies and practices of plan. We have relied on this information as accurate, and applied estimates as necessary.

The discount rate used for this year is 4.5%.

To the best of our knowledge and belief, this valuation was conducted in accordance with generally accepted actuarial principles and practices and in accordance with our understanding of GASB #45 and the implementation guidelines published by the Government Accounting Standards Board. The employer may modify the presentation of these disclosures as needed. I am an Enrolled Actuary who satisfies the Qualifications Standards for Actuaries of the AAA that became effective January 1, 2008.

Very truly yours,



Edward A. Echeverria, FSPA, MAAA, CPC, EA
Senior Actuary

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VILLAGE OF MAMARONECK
RETIREE HEALTH VALUATION UNDER GASB #45

EXECUTIVE SUMMARY OF RESULTS

Valuation Date (mid-cycle)	<u>June 1, 2009</u>
Number of Plan Members*:	
Active Participants	150
Retired Participants	<u>117</u>
Total	267
Average Age of Actives	45 yrs.
Average Credited Service of Actives	13 yrs.
Current Covered Payroll	\$ 9,970,000
Market value of assets as of June 1	\$ -0-
Unfunded Accrued Liability	\$ 43,910,000
Annual Required Contribution (ARC)	\$ 2,870,000
OPEB Cost for the Year	\$ 2,880,000

*The 2009 "mid-cycle" valuation is reflective of the same participant data as that used for the 2008 valuations. Average age and average service amounts from the 2008 valuation have been displayed. Starting in 2009, the OPEB Cost will differ from the ARC, due to there being an OPEB obligation on June 1, 2009.

VILLAGE OF MAMARONECK
RETIREE HEALTH VALUATION UNDER GASB #45

RESULTS AND DISCLOSURES

Results have been presented rounded to the nearest \$10,000.

<u>VALUATION RESULTS - (Cost to Village)</u>		(EPBO)	(APBO)
		Projected	Unit Credit
		Benefits	Accrued
			Liability
1.	Actuarial present values as of June 1, 2009:		
	(a) Actives (150)	\$ 27,280,000	\$ 13,970,000
	(b) Retirees & Beneficiaries (117)	\$ 29,940,000	\$ 29,940,000
	(c) Total (267)	\$ 57,220,000	\$ 43,910,000
2.	Accrued liability as of June 1, 2009	\$ 43,910,000	
3.	Actuarial value of assets, June 1, 2009	\$ -0-	
4.	Unfunded accrued liability, June 1, 2009	\$ 43,910,000	
5.	Normal cost As of June 1, 2009	\$ 960,000	
6.	Amortization of unfunded accrued liability (percentage of payroll basis/open over 30 years)	\$ 1,790,000	
7.	Interest (rounded) on Normal Cost (\$41,891) and Amortization (\$78,109)	\$ 120,000	
8.	Annual Required Contribution (ARC) (5+6+7)	\$ 2,870,000	

VILLAGE OF MAMARONECK
RETIREE HEALTH VALUATION UNDER GASB #45

RESULTS AND DISCLOSURES

DEVELOPMENT OF THE OPEB COST
FOR THE YEAR ENDING MAY 31, 2010

Actual contribution information is included below.

<u>Contribution rates:</u> Plan Members	Varies by employee class (See Summary of Plan Provisions)
Village:	Actuarially determined, equals the balance not paid by plan members
Annual required contribution (ARC)	\$ 2,870,000
Interest on net OPEB obligation	70,000
Adjustment to annual required contribution (-)	60,000
Annual OPEB cost	\$ 2,880,000
Contributions made*	\$ 1,230,000
Increase in net OPEB obligation	\$ 1,650,000
Net OPEB obligation-beginning of year	\$ <u>1,540,000</u>
Net OPEB obligation-end of year	\$ <u>3,190,000</u>

*Contributions made include NYSHIP, and Medicare Part B premium payments of \$1,110,000 and Medicare Part D reimbursement of \$120,000.

VILLAGE OF MAMARONECK
RETIREE HEALTH VALUATION UNDER GASB #45

RESULTS AND DISCLOSURES

DEVELOPMENT OF UNFUNDED ACTUARIAL ACCRUED LIABILITY
AND FUNDED RATIO (actual)

Actuarial accrued liability (a)	\$ 43,910,000
Actuarial value of plan assets (b)	\$ 0
Unfunded actuarial accrued liability (a – b)	\$ 43,910,000
Funded ratio (b / a)	0.0%
Covered payroll (c)	\$ 9,970,000
Unfunded actuarial accrued liability as percentage of covered payroll [(a – b) / c]	440%

About 68% of the unfunded actuarial accrued liability relates to retirees.

VILLAGE OF MAMARONECK
RETIREE HEALTH VALUATION UNDER GASB #45

RESULTS AND DISCLOSURES

DEVELOPMENT OF OPEB COST AND OPEB OBLIGATION
FOR THE LAST THREE YEARS (actual)

<u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	Percentage of <u>OPEB Cost</u> <u>Contributed</u>	<u>Net OPEB</u> <u>Obligation</u>
5/31/2009	\$2,790,000	44.8%	\$1,540,000
5/31/2010	\$2,880,000	42.7%	\$3,190,000

(For the second year under GASB#45, FYE 2009, two years are illustrated.)

VILLAGE OF MAMARONECK
RETIREE HEALTH VALUATION UNDER GASB #45

RESULTS AND DISCLOSURES

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF FUNDING PROGRESS (actual)

Actuarial	Actuarial	Actuarial	Unfunded	Funded	Covered	UAAL as a
Valuation	Value of	Liability	AAL	Ratio	Payroll	Percentage of
Date	Assets	(AAL)	(UAAL)	(a / b)	(c)	Covered
	(a)	(b)	(b - a)			Payroll
		Unit Credit				[(b - a) / c]
6/1/2008	\$0	\$42.90M	\$42.90M	0.0%	\$12.23M	351%
6/1/2009	\$0	\$43.91M	\$43.91M	0.0%	\$9.97M	440%

(For the second year under GASB#45, FYE 2009, two years are illustrated.)

VILLAGE OF MAMARONECK
RETIREE HEALTH VALUATION UNDER GASB #45

CONSIDERATIONS

NEW STATEMENT

Government Accounting Standards Board Statement No. 45 (GASB #45) is applicable to the Village of Mamaroneck beginning with the fiscal year ended May 31, 2009. GASB #45 establishes standards for the measurement, recognition and display of the expense and liabilities of your retiree medical program (Other Post-Employment Benefits; "OPEB"). As a result, reporting of expense and liabilities will no longer be done under the "pay-as-you-go" approach. Instead of expensing the current year premiums paid, a per capita claims cost will be determined, which will be used to determine a "normal cost", an "actuarial accrued liability", and ultimately the Annual Required Contribution (ARC). The ARC is not "required" to be contributed each year, but in your case, will accumulate as a liability on the City's financial statements (called the "OPEB Obligation") to the extent that the ARC exceeds the amount of premiums paid in a year. If and when New York State municipalities are permitted to pre-fund retiree medical and other OPEB benefits in a Trust, the Village will have the option of doing so to reduce/eliminate the accumulated liability. In addition, pre-funding also permits the use of a higher discount rate (to reflect higher returns from an equity/bond mix of a Trust, rather than short term returns of the municipality's funds).

PLAN DESIGN

We received detailed employee and dependent data, information on the plans, past and current employer practices, and medical premium cost data.

VILLAGE OF MAMARONECK
RETIREE HEALTH VALUATION UNDER GASB #45

CONSIDERATIONS

For FYE 2009, there are 117 retirees plus dependents who are receiving employer subsidized benefits. We reflected known retirements and terminations in our database through May 31, 2008. Where data was missing or inaccurate, we assumed reasonable estimates. In all, we valued 150 active employees plus dependents.

Retiree medical coverage is provided primarily through NYSHIP (State Empire).

Future retirees are assumed to be covered by this existing arrangement as outlined in the materials forwarded by the Village. Those provisions, as they relate to employer liability, can be found in the Summary of Plan Provisions section of this report.

ASSUMPTIONS/RECOGNITION

To establish the per capita claims cost of medical benefits for your group, we used current premium rates provided by the Village as the starting point for our calculations. We then employed a health care trend rate that begins at 10% for the first year, decreases in years 2, 3, 4, 5, 6 and 7 to 9%, 8%, 7%, 6%, 6%, and 5% respectively, and then continues at 5% thereafter. This assumption needs to be reviewed periodically. The health care trend rate is a major contributor to widening the gap between pay-as-you-go recognition and GASB #45 recognition. Due to the Community-Rated Exemption of ASOP 6, adjustments were not required to be made to recognize differences between the average age of the 'full' population and the average age of a 'retiree only' population (to develop age adjusted current premium rates).

VILLAGE OF MAMARONECK
RETIREE HEALTH VALUATION UNDER GASB #45

SUMMARY OF PLAN PROVISIONS

The following is a summary of the current major provisions of the retiree medical program.

1. **MEDICAL BENEFITS**

The Plan is a fully insured plan. Current retiree premium rates provided to us by the City include:

- | | |
|----------------------------|--|
| a) Individual Pre-age 65: | Generally \$592 per month. |
| b) Family Pre-age 65: | Generally \$1,259 per month. |
| c) Individual Post-age 65: | Generally \$360 per month. |
| d) Family Post-age 65: | Generally either \$1,027 per month (one person on Medicare) or \$795 per month (two people on Medicare). |

For GASB #45 purposes, the plan is deemed "community-rated". Therefore, adjustments to the premium rates to reflect the difference between the pre-age 65 active/retiree group (for which the current premium rates were based on) and the pre-age 65 retiree group, were not required, due to the "community-rated" exception under ASOP 6.

2. **MEDICARE PART B PREMIUMS** – Paid by the Village at \$96.40/mo.

SUMMARY OF PLAN PROVISIONS

- a) Non-uniformed:
An employee must retire after age 55 with at least 10 years of service.
- b) Police Officers:
An employee must retire with at least 20 years of service (no age requirement).
- c) Spousal benefit upon retiree's death:
Coverage continued; spouse pays full current premium rate.
- d) Active service death benefit: N/A
- e) Active service disability benefit: N/A

a)	Non-Uniformed	75% individual/50% dependent (100%/75% if hired before 9/10/1990)
b)	Police	100% individual/100% dependent.

VILLAGE OF MAMARONECK
RETIREE HEALTH VALUATION UNDER GASB #45

SUMMARY OF PLAN PROVISIONS

5. **FUNDING POLICY:**

The employer's funding policy is to contribute the current annual premium (net of employee contributions) for all retired participants (i.e., pay-as-you-go). Current New York State law prohibits municipalities from pre-funding retiree medical benefit obligations in a Trust, although pre-funding moneys can arguably be "set aside" on the municipality's balance sheet.

Medicare Part D reimbursement by New York State is also considered an "employer contribution" for GASB #45 purposes.

VILLAGE OF MAMARONECK
RETIREE HEALTH VALUATION UNDER GASB #45

ACTUARIAL BASIS

The Actuarial Basis presented here was employed to perform the 2008/09 actuarial valuation. 2009/2010 is a "mid-cycle" year.

ACTUARIAL FUNDING METHOD: Unit Credit

ACTUARIAL ASSUMPTIONS

- | | |
|--------------------|--|
| 1. Valuation Date: | June 1, 2008 |
| 2. Discount Rate: | 4.5% per annum. |
| 3. Salary Scale: | Not applicable, although a 3.0% inflation rate has been applied for amortization purposes. |
| 4. Mortality: | RP-2000 Combined Table (sex-distinct). |
| 5. Withdrawal: | Sarasson T-5 Table. |
| 6. Disability: | N/A |

VILLAGE OF MAMARONECK
RETIREE HEALTH VALUATION UNDER GASB #45

ACTUARIAL BASIS

7. Retirement:

The following table illustrates the retirement rates:

A) Non-Uniformed (10 years of service required)	<u>Retirement</u>	<u>Retirement</u>
	<u>Age</u>	<u>Rates</u>
	55	10.0%
	56	3.0%
	57	3.0%
	58	3.0%
	59	3.0%
	60	5.0%
	61	5.0%
	62	5.0%
	63	5.0%
	64	5.0%
	65	100.0%
B) Police (20 years of service required)	<u>Retirement</u>	<u>Retirement</u>
	<u>Age (Svc)</u>	<u>Rates</u>
	(20 th year of service)	50.0%
	(21 st year, to age 54)	2.0%
	55	10.0%
	56	3.0%
	57	3.0%
	58	3.0%
	59	3.0%
	60	5.0%
	61	5.0%
	62	5.0%
	63	5.0%
	64	5.0%
	65	100.0%

VILLAGE OF MAMARONECK
RETIREE HEALTH VALUATION UNDER GASB #45

ACTUARIAL BASIS

8. Health Care Cost
Trend Rate:

The following table illustrates the assumed health care trend rate for each future year:

<u>Year</u>	<u>Assumed Increase</u>
1	10.0%
2	9.0%
3	8.0%
4	7.0%
5	6.0%
6	6.0%
7+	5.0%

9. Marital - Actives: Wife is assumed to be same age as the husband.
60% are assumed married.
10. Participation Rate: 100% of eligible retirees expected to participate.

ASSET VALUATION METHOD: Market value.

AMORTIZATION BASIS: Level percentage of payroll basis/open; over 30 years. (Factor = 24.5052; Assumed inflation rate equals 3.0%).